

**CITY OF DENVER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

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**City of Denver**  
**Officials**  
**(Before January 2012)**

Mike Isaacson (Resigned Fall 2011)	Mayor	Dec 2011
Rod Diercks (Elected Mayor Nov 2011)	Council Member/Mayor	Dec 2011
Joel Wikner	Mayor Pro Tempore	Dec 2013
Lyle Faust (Appointed Dec 2011)	Council Member	Dec 2013
David Larson	Council Member	Dec 2013
Jeremie Peterson	Council Member	Dec 2011
Jim Moeller	Council Member	Dec 2011
Larry Farley	City Administrator/Clerk	
Dale Goeke	Attorney	

**(After December 2011)**

Rod Diercks	Mayor	Dec 2013
Joel Wikner	Mayor Pro Tem	Dec 2013
Lyle Faust	Council Member	Dec 2013
(Replaced in Special Election by Mary Scharnhorst)		
Mary Scharnhorst	Council Member	Dec 2013
David Larson	Council Member	Dec 2013
Jeremie Peterson	Council Member	Dec 2015
Mark Richmann	Council Member	Dec 2015
Larry Farley	City Administrator/Clerk	
Dale Goeke	Attorney	

**City of Denver**

James R. Ridihalgh, C.P.A.  
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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Denver's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2012 on our consideration of the City of Denver's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City of Denver has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denver's basic financial statements. Supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to

the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denver's basic financial statements. The budgetary comparison information on pages 22 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

November 28, 2012

## **Basic Financial Statements**

City of Denver

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Oper. Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 560,374	167,663	-	-
Public works	376,027	121,341	173,638	-
Health and social services	-	-	-	-
Culture and recreation	180,476	20,875	34,992	-
Community and economic development	1,320	400	-	-
General government	86,386	17,617	-	-
Debt service	315,601	-	-	-
Capital projects	-	-	-	-
Business type	-	-	-	-
Total governmental activities	1,520,184	327,896	208,630	-
Business type activities:				
Sewer	846,304	408,720	-	-
Electric	1,120,585	1,126,337	46,397	-
Nonmajor business type funds	112,064	148,065	-	-
Total business type activities	2,078,953	1,683,122	46,397	-
Total	\$ 3,599,137	2,011,018	255,027	-

**General Receipts:**

Property tax levied for:  
 General purposes  
 Debt Service  
 Tax increment financing  
 Local option sales tax  
 Unrestricted interest  
 G.O. Notes  
 Miscellaneous  
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Expendable:

Streets

Debt Service

Nonexpendable:

Permanent Fund

Unrestricted

**Total cash basis net assets**

See notes to financial statements



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(392,711)	-	(392,711)
(81,048)	-	(81,048)
-	-	-
(124,609)	-	(124,609)
(920)	-	(920)
(68,769)	-	(68,769)
(315,601)	-	(315,601)
-	-	-
-	-	-
(983,658)	-	(983,658)
-	(437,584)	(437,584)
-	52,149	52,149
-	36,001	36,001
-	(349,434)	(349,434)
(983,658)	(349,434)	(1,333,092)
345,139	-	345,139
63,181	-	63,181
92,893	-	92,893
124,299	41,433	165,732
25,698	21,470	47,168
430,000	-	430,000
235,147	9,418	244,565
(154,936)	154,936	-
1,161,421	227,257	1,388,678
177,763	(122,177)	55,586
1,134,336	2,609,279	3,743,615
\$ 1,312,099	2,487,102	3,799,201
222,400	-	222,400
-	-	-
50,199	-	50,199
1,039,500	2,487,102	3,526,602
\$ 1,312,099	2,487,102	3,799,201

## City of Denver

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2012

	General	Road Use Tax-#110	Debt Service-#200	Nonmajor Permanent	Total
<b>Receipts:</b>					
Property tax	\$ 345,139	-	63,181	-	408,320
TIF collections	-	-	92,893	-	92,893
Other city tax	-	124,299	-	-	124,299
Licenses and permits	12,314	-	-	-	12,314
Use of money and property	27,419	-	-	29	27,448
Intergovernmental	110,992	173,323	-	-	284,315
Charges for service	193,908	15,573	-	-	209,481
Special assessments	-	-	-	-	-
Miscellaneous	74,931	177,206	-	4,500	256,637
Total receipts	764,703	490,401	156,074	4,529	1,415,707
<b>Disbursements:</b>					
Operating:					
Public safety	560,374	-	-	-	560,374
Public works	73,967	302,060	-	-	376,027
Health and social services	-	-	-	-	-
Culture and recreation	180,476	-	-	-	180,476
Community and economic development	1,320	-	-	-	1,320
General government	86,386	-	-	-	86,386
Debt service	78,510	-	237,091	-	315,601
Capital projects	-	-	-	-	-
Business Type	-	-	-	-	-
Total disbursements	981,033	302,060	237,091	-	1,520,184
Excess of receipts over disbursements	(216,330)	188,341	(81,017)	4,529	(104,477)
<b>Other financing sources (uses):</b>					
Operating transfers in	60,450	17,600	33,485	-	111,535
Operating transfers out	(20,000)	(13,485)	(232,986)	-	(266,471)
Note Sale	130,000	-	300,000	-	430,000
Sale of property	7,176	-	-	-	7,176
Total other financing sources (uses)	177,626	4,115	100,499	-	282,240
Net change in cash balances	(38,704)	192,456	19,482	4,529	177,763
Cash balances beginning of year	1,078,204	29,944	(19,482)	45,670	1,134,336
Cash balances end of year	\$ 1,039,500	222,400	-	50,199	1,312,099
<b>Cash Basis Fund Balances</b>					
Restricted For:					
Streets	-	222,400	-	-	222,400
Permanent	-	-	-	50,199	50,199
Debt Service	-	-	-	-	-
Unassigned	1,039,500	-	-	-	1,039,500
Total cash basis fund balances	\$ 1,039,500	222,400	-	50,199	1,312,099

See notes to financial statements

## City of Denver

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2012

<b>Total governmental funds cash balances (page 10)</b>	\$ 1,312,099
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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**Cash basis net assets of governmental  
activities (page 9)**

\$ 1,312,099

**Net change in cash balances (page 10)**

\$ 177,763

The city does not have an internal service fund.  
Therefore there are no reconciling items.

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**Change in cash balance of governmental  
activities (page 9)**

\$ 177,763

See notes to financial statements

## City of Denver

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2012

	Sewer	Electric	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 408,720	1,126,337	148,065	1,683,122
Miscellaneous	1,853	90	7,475	9,418
Total operating receipts	410,573	1,126,427	155,540	1,692,540
Operating disbursements:				
Business type activities	846,304	1,120,585	112,064	2,078,953
Total operating disbursements	846,304	1,120,585	112,064	2,078,953
Excess (deficiency) of operating receipts over (under) operating disbursements	(435,731)	5,842	43,476	(386,413)
Non-operating receipts (disbursements)				
Use of money and property	4,599	14,108	2,763	21,470
Other city taxes	41,433	-	-	41,433
Grants	-	46,397	-	46,397
Net non-operating receipts(disbursements)	46,032	60,505	2,763	109,300
Excess of receipts over (under) disbursements	(389,699)	66,347	46,239	(277,113)
Operating transfers in	232,986	-	-	232,986
Operating transfers out	(8,800)	(60,450)	(8,800)	(78,050)
Net change in cash balances	(165,513)	5,897	37,439	(122,177)
Cash balances beginning of year	1,112,025	1,304,000	193,254	2,609,279
Cash balances end of year	\$ 946,512	1,309,897	230,693	2,487,102
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 946,512	1,309,897	230,693	2,487,102
Restricted for Debt Service	-	-	-	-
Total cash basis fund balances	\$ 946,512	1,309,897	230,693	2,487,102

## City of Denver

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2012

**Total enterprise funds cash balances (page 12)**

The city does not have an internal service fund.  
Therefore there are no reconciling items.

2,487,101

**Cash basis net assets of business type  
activities (page 9)**

\$ 2,487,101

**Net change in cash balances (page 12)**

\$ (122,178)

The city does not have an internal service fund.  
Therefore there are no reconciling items.

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**Change in cash balance of business type  
activities (page 9)**

\$ (122,178)

See notes to financial statements

City of Denver  
Notes to Financial Statements  
June 30, 2012

**(1) Summary of Significant Accounting Policies**

The City of Denver is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Denver has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The City is represented on the Black Hawk County Consolidated Public Safety Communications Board, Black Hawk Conference Board, Black Hawk County Management Ageing, Black Hawk County Solid Waste Management Commission and Multi-Jurisdictional Hazard Mitigation Plan-Dunkerton and Gilbertville.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund (#110) is used to account for road construction and maintenance.

The Debt Service Fund is used to account for the receipt and disbursement monies for debt service.

The City reports the following major proprietary funds:

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City of Denver maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012 the City exceeded amounts budgeted in the public safety program and the culture and recreation program.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2012, the City had investments totaling \$19,833. These investments consisted of an equity position in General Electric Company for \$2,459 which was in violation of the City Investment Policy, \$2,084 in Federal Home Loan Mortgage Corp due August 15, 2037 which is violation due to the maturity date and \$15,290 in mutual funds.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days and meet their definition of *Instruments Eligible for Investment*. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity of the General Obligation Capital Loan Notes and Revenue Bonds are as follows:

Year Ending June	Capital Obligation	
	<u>Principal</u>	<u>Interest</u>
2013	146,823	38,560
2014	147,476	32,785
2015	148,153	27,167
2016	148,845	21,534
2017	149,583	15,853
2018-2022	<u>290,059</u>	<u>21,467</u>
	<u>\$1,030,939</u>	<u>157,366</u>

#### General Obligation Notes & Bonds:

The City issued a \$500,000 General Obligation Street Improvement Note, dated August 1, 2007, with an interest rate of 4.45%. The notes were issued for the purpose of financing improvements to the city's streets. Principal on the note is payable in ten equal annual installments of \$50,000 each, due on June 1 of each year. First payment was June 1, 2008 and the last payment is due June 1, 2017. Balance at June 30, 2012 was \$250,000.

The City issued a \$275,000 General Obligation Economic Development Note, dated February 1, 2008, with an interest rate of 4.35%. Interest on the note is due on June 1 of each year 2009 to 2020. Principal is due in ten equal installments of \$27,500 each on June 1 of each year 2011 to 2020. Balance at June 30, 2012 was \$220,000.

The City has a \$193,684 General Obligation Note, Series 2006 Fire Truck Pumper, dated April 19, 2010 with an interest rate of 4.0 %. Payments of \$23,610 are due each June 30, beginning June 1, 2011. Balance at June 30, 2012 was \$160,939.

The City has a \$300,000 General Obligation Storm Sewer Improvement Note, dated November 15, 2011 with an interest rate of 2.9%. Payments are due on June 1 of each year beginning June 1, 2012.

Payments are \$30,000 principal plus interest for ten years, with last payment June 1, 2021. Balance at June 30, 2012 was \$270,000.

The City has a \$130,000 General Obligation Fire Equipment Note, dated June 1, 2012 with an interest rate of 3.0%. There are six equal payments of \$21,667.67 due on June 1 in each of the years 2013 to and including 2018.

#### Additional Debt

The City had a \$100,000 Promissory Note with Denver Savings Bank, dated May 4, 2010 with an interest rate of 5.75%. The proceeds were used in the purchase of an ambulance. There were to be four payments of \$28,697.24 beginning May 4, 2011 and the last payment was scheduled for May 4, 2014. This note was paid off in November 2011.

The City has an Installment Sale Agreement with Ziegler Cat for a Caterpillar #414 Loader, dated June 4, 2008. Original amount was \$60,775. Interest rate is 5.25%. Agreement called for five equal annual installment payments of \$13,484.83, with the first payment due December 8, 2008 and final payment due December 8, 2012. Balance at June 30, 2012 was \$12,812.

#### **(4) Pension and Retirement Benefits**

##### **Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012 was \$39,290, equal to the required contributions for the year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description-As of June 30, 2012 the City was paying 100% of the medical insurance for the City Administrator. Other City full time employees paid a portion of their medical insurance. The City pays either family or single coverage depending on the employees' status. The City is self-insured for dental benefits. Dental benefits follow similar coverage criteria, deductibles and co-insurance as Delta Dental.

Funding Policy-The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$399 medical for single coverage and \$905 medical for family. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$45,243 and plan members eligible for benefits contributed \$5,160 to the plan.

International City Management Association-The City contributes to the International City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes at the IPERS rate. The City's contributions to ICMA-RC for the year ended June 30, 2012 was \$5,710.

#### **(6) Compensated Absences**

City of Denver employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. It is payable when used and may be accumulated at various rates based on years of service. Maximum sick leave that may be accumulated is ninety days. Vacation is payable when used and accumulates based on an employee's anniversary date. These accumulations are not recognized as disbursements by the City until used or paid. At the end of employment, providing the employee has given two week notice, the City will pay for any unused vacation and for accumulated sick leave. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2012 is \$25,540. The City's approximate liability for sick leave, reimbursed at 50% of the sick leave amount, at June 30, 2012 is \$21,636. This liability has been computed based on rates of pay in effect at June 30, 2012.

#### **(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Business Type: Electric	\$ <u>60,450</u>
Special Revenue: Road Use Tax	Business Type: Water Sewer	8,800 <u>8,800</u> <u>17,600</u>
Debt Service:	General: General Special Revenue: RUT	20,000  <u>13,485</u> <u>33,485</u>
Business Type: Sewer	General: General	  <u>232,986</u>
Total Interfund Transfers		<u>\$344,521</u>

#### **(8) Related Party Transactions**

The City had business transactions between the City and City employees totaling \$220 during the year ended June 30, 2012.

#### **(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess

of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in past fiscal year.

**(10) Deficit Balance**

The City had no funds with a deficit balance at June 30, 2012.

**(11) Lease Agreement**

The City pays \$2,000 per month for an aeration system for the lagoon. The City does not have a lease agreement on this, but does have an original three month trial paper work from 2004.

**(12) Auditor of State Findings**

During the current year the Office of The Auditor of State did Agreed Upon Procedures for the City of Denver. The Auditor of State commented on the following, and we have the following comments in regard to those areas:

- A. Segregation of Duties—See II-A-12
- B. Utility Billings, Reconciliations and Delinquent Accounts—The Auditor of State's report stated The City was not reconciling utility billings. We were able to reconcile utility billings to receipts within a satisfactory amount, however the process was unwieldy and the city does not yet produce a reconciliation themselves. The city is currently in the process of changing the software which handles utility billings, and have been adamant that this new software will be able to produce a monthly reconciliation. See II-E-12.
- C. Bank Reconciliation— The Auditor of State's report stated The City was not able to reconcile the books to the bank statement without unexplained variances. The City is now able to reconcile the books to the bank statement with no unexplained variations.
- D. Petty Cash— The Auditor of State's report stated The City was using petty cash funds to reimburse employees for travel expenses. The City ceased reimbursing travel expenses from petty cash. A review of the petty cash account revealed no abnormal disbursements from petty cash since the time of the state's review.
- E. City Checks Issued to the City— The Auditor of State's report stated The City was issuing checks to itself in order to cover outstanding utility account balances. The City ceased the practice of issuing checks to itself for the purpose of clearing outstanding utility balances.

**(13) Litigation**

There is no pending litigation pending involving the City of Denver.

**(14) Subsequent Events**

No significant subsequent events were noted.

## **Other Information**

City of Denver

Budgetary Comparison Schedule  
of Receipts, disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net
Receipts:				
Property tax	\$ 408,320	-	-	408,320
Tax increment financing collections	92,893	-	-	92,893
Other city tax	124,299	-	-	124,299
Licenses and permits	12,314	-	-	12,314
Use of money and property	27,448	21,470	-	48,918
Intergovernmental	284,315	-	-	284,315
Charges for service	209,481	1,690,446	-	1,899,927
Special assessments	-	-	-	-
Miscellaneous	256,637	43,526	-	300,163
Total receipts	1,415,707	1,755,442	-	3,171,149
Disbursements:				
Public safety	560,374	-	-	560,374
Public works	376,027	-	-	376,027
Health and social services	-	-	-	-
Culture and recreation	180,476	-	-	180,476
Community and economic development	1,320	-	-	1,320
General government	86,386	-	-	86,386
Debt service	315,601	-	-	315,601
Capital projects	-	-	-	-
Business type activities	-	2,078,953	-	2,078,953
Total disbursements	1,520,184	2,078,953	-	3,599,137
Excess of receipts over disbursements	(104,477)	(323,511)	-	(427,988)
Other financing sources, net	282,240	201,333	-	483,573
Excess of receipts and other financing sources over disbursements and other financing uses	177,763	(122,178)	-	55,585
Balances beginning of year	1,134,336	2,609,279	-	3,743,615
Balances end of year	\$ 1,312,099	2,487,101	-	3,799,200

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
406,008	406,008	2,312
101,617	101,617	(8,724)
156,767	156,767	(32,468)
3,345	3,345	8,969
27,050	27,050	21,868
220,820	408,001	(123,686)
1,854,790	1,938,860	(38,933)
8,000	15,229	(15,229)
2,500	2,500	297,663
2,780,897	3,059,377	111,772
226,581	251,581	(308,793)
369,935	484,935	108,908
8,000	8,000	8,000
154,744	167,744	(12,732)
102,617	103,417	102,097
67,534	97,534	11,148
3,296,835	496,835	181,234
-	-	-
1,402,350	2,252,350	173,397
5,628,596	3,862,396	263,259
(2,847,699)	(803,019)	375,031
3,200,000	400,000	83,573
352,301	(403,019)	458,604
3,409,621	3,409,621	333,994
3,761,922	3,006,602	792,598

City of Denver  
Notes to Other Information – Budgetary Reporting  
June 30, 2012

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended and decreased budgeted receipts by \$2,521,520 and decreased budgeted disbursements by \$1,766,200. The amendment was partially to reflect the decrease in revenues resulting from the fact that the City did not borrow from the State Revolving Loan Fund and the decrease in disbursements due to various reasons including but not limited Police Car Repair, Fire Truck payment, and 2011 Transit Street Improvement Project.



## **Supplementary Information**

## City of Denver

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2012

	#600 Water	#635 Electric Deposits	#740 Storm Water	Total
Operating Receipts:				
Charges for service	124,316	-	23,749	148,065
Miscellaneous	150	7,325	-	7,475
Total operating receipts	124,466	7,325	23,749	155,540
Operating Disbursements:				
Business type activities	104,264	7,100	700	112,064
Total operating disbursements	104,264	7,100	700	112,064
Excess (deficiency) of receipts over (under) operating disbursements	20,202	225	23,049	43,476
Non-operating receipts(disbursements):				
Use of money and property	2,698	65	-	2,763
Excess of receipts over disbursements	22,900	290	23,049	46,239
Operating transfers in	-	-	-	-
Operating transfers out	(8,800)	-	-	(8,800)
Net change in cash balances	14,100	290	23,049	37,439
Cash balances beginning of year	174,735	7,832	10,687	193,254
Cash balances end of year	188,835	8,122	33,736	230,693
<b>Cash Basis Fund Balances</b>				
Unrestricted	188,835	8,122	33,736	230,693
Restricted for Debt Service	-	-	-	-
Total cash basis fund balances	188,835	8,122	33,736	230,693

See accompanying independent auditor's report

## City of Denver

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Fire, Ambulance, Park & Recreation,  
and Other General

As of and for the year ended June 30, 2012

	Fire	Ambulance	Park & Recreation	Other General	Total
<b>Receipts:</b>					
Property tax	\$ -	-	-	345,139	345,139
TIF collections	-	-	-	-	-
Other city tax	-	-	-	-	-
Licenses and permits	-	-	-	12,314	12,314
Use of money and property	804	(2,399)	-	29,014	27,419
Intergovernmental	66,395	13,250	-	31,347	110,992
Charges for service	12,688	53,374	16,375	111,471	193,908
Special assessments	-	-	-	-	-
Miscellaneous	34,334	1,350	-	39,247	74,931
<b>Total receipts</b>	<b>114,221</b>	<b>65,575</b>	<b>16,375</b>	<b>568,532</b>	<b>764,703</b>
<b>Disbursements:</b>					
Operating:					
Public safety	265,043	77,060	-	218,271	560,374
Public works	-	-	-	73,967	73,967
Health and social services	-	-	-	-	-
Culture and recreation	-	-	16,045	164,431	180,476
Community and economic development	-	-	-	1,320	1,320
General government	-	-	-	86,386	86,386
Debt service	-	78,510	-	-	78,510
Capital projects	-	-	-	-	-
Business Type	-	-	-	-	-
<b>Total disbursements</b>	<b>265,043</b>	<b>155,570</b>	<b>16,045</b>	<b>544,375</b>	<b>981,033</b>
<b>Excess of receipts over disbursements</b>	<b>(150,822)</b>	<b>(89,995)</b>	<b>330</b>	<b>24,157</b>	<b>(216,330)</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	-	-	-	60,450	60,450
Operating transfers out	-	-	-	(20,000)	(20,000)
Note Sale	130,000	-	-	-	130,000
Sale of property	6,050	-	-	1,126	7,176
<b>Total other financing sources (uses)</b>	<b>136,050</b>	<b>-</b>	<b>-</b>	<b>41,576</b>	<b>177,626</b>
<b>Net change in cash balances</b>	<b>(14,772)</b>	<b>(89,995)</b>	<b>330</b>	<b>65,733</b>	<b>(38,704)</b>
<b>Cash balances beginning of year</b>	<b>87,984</b>	<b>180,166</b>	<b>16,999</b>	<b>793,055</b>	<b>1,078,204</b>
<b>Cash balances end of year</b>	<b>\$ 73,212</b>	<b>90,171</b>	<b>17,329</b>	<b>\$ 858,788</b>	<b>1,039,500</b>
<b>Cash Basis Fund Balances</b>					
Unassigned	73,212	90,171	17,329	858,788	1,039,500
<b>Total cash basis fund balances</b>	<b>\$ 73,212</b>	<b>90,171</b>	<b>17,329</b>	<b>\$ 858,788</b>	<b>1,039,500</b>

See notes to financial statements

**CITY OF DENVER  
DEBT ANALYSIS  
JUNE 30, 2012**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance 7/1/2011</u>
General Obligation Street Improvement Note	8/1/2007	4.45%	500,000	300,000
General Obligation Economic Development Note-TIF Tierney/Moeller	2/1/2008	4.35%	275,000	247,500
General Obligation Economic Development Note-TIF Schumacher	12/1/1999	5.15-5.40%	465,000	60,000
General Obligation Street Loan Note, Series 2006 Fire Truck Pumper	4/19/2010	2.90%	193,684	177,947
General Obligation Storm Sewer Improvement Note Hoover Street	11/15/2011	2.90%	300,000	-
General Obligation Fire Equipment Note	6/1/2012	3.00%	130,000	-
Total General Obligation				<u>785,447</u>
Promissory Note with Denver Savings Bank Ambulance	5/4/2010	5.75%	100,000	76,158
Lease Purchase Ziegler-Catepillar #414 Loader	12/8/2008	5.25%	61,025	24,985

<b>Issued During Year</b>	<b>Redeemed During Year</b>	<b>Balance 6/30/2012</b>	<b>Interest Paid</b>	<b>Interest Due and Unpaid</b>
-	50,000	250,000	13,350	-
-	27,500	220,000	10,767	-
-	60,000	-	3,470	-
-	17,008	160,939	6,602	-
300,000	30,000	270,000	4,713	-
130,000	-	130,000	-	-
430,000	184,508	1,030,939	38,902	-
-	76,158	-	2,352	
-	12,173	12,812	1,274	

City of Denver  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	General Obligation Street Improv Note		General Obligation Econ Dev-TIF Tierney/Moeller		General Obligation Street Loan Series 2006 Fire Truck Pumper		General Obligation Strm Swr Improv Hoover Street		General Obligation Fire Equipment Note	
	Issued Aug 1, 2007		Issued Feb 1, 2008		Issued April 19, 2010		Issued Nov. 15, 2011		Issued June 1, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	4.45%	50,000	4.35%	27,500	2.90%	17,655	2.90%	30,000	3.00%	21,667
2014	4.45%	50,000	4.35%	27,500	2.90%	18,309	2.90%	30,000	3.00%	21,667
2015	4.45%	50,000	4.35%	27,500	2.90%	18,986	2.90%	30,000	3.00%	21,667
2016	4.45%	50,000	4.35%	27,500	2.90%	19,678	2.90%	30,000	3.00%	21,667
2017	4.45%	50,000	4.35%	27,500	2.90%	20,417	2.90%	30,000	3.00%	21,666
2018			4.35%	27,500	2.90%	21,172	2.90%	30,000	3.00%	21,666
2019			4.35%	27,500	2.90%	21,956	2.90%	30,000		
2020			4.35%	27,500	2.90%	22,765	2.90%	30,000		
2021							2.90%	30,000		
		<u>\$ 250,000</u>		<u>220,000</u>		<u>160,939</u>		<u>270,000</u>		<u>130,000</u>

See accompanying independent auditor's report

**City of Denver**

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 28, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Denver is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Denver's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Denver's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Denver's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material statement of the City of Denver's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as II-A-12, II-B-12 and II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-12 to be a significant deficiency.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denver's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Denver's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Denver's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the city of Denver and other parties to whom Denver may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Denver during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

November 28, 2012

**City of Denver**

City of Denver

Schedule of Findings and Questioned Costs

June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. City of Denver is a small city with an office staff consisting of the City Administrator and one assistant clerk. All employees can have custody of cash before depositing. In addition the assistant clerk also records cash received, prepares deposit tickets, compares deposits to records and prepares journal entries.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its controls procedures in an attempt to maximize internal control where possible under the circumstances.

Conclusion – Response accepted.

- II-B-12 Checking Signing – The City requires a dual signature which is a good internal control to prevent wrongful check writing, but in the majority of cases the checks are signed by the City Administrator and the second signature is actually the mayor's signature stamp. In addition the stamp is kept at City Hall unlocked.

Recommendation – The City should find a City official who can sign the checks in the mayor's absence. In addition the mayor's signature stamp should be kept locked up.

Response – The City will investigate adding check signing privileges for Council Members in the absence of the Mayor. The Mayor's signature stamp will be locked in a cabinet.

Conclusion – Response accepted.

II-C-12 Employee timesheets – Currently not all timesheets are approved by another City employee.

Recommendation – We recommend that the supervisor, the City Administrator or a City Official who might have cause to know whether the employee did or not work those hours.

Response – The City will have all time sheets approved by a City employee in the future.

Conclusion – Response accepted

II-D-12 Significant Deficiency – The City of Denver, Iowa prepares financial statements, but does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

II-E-12 Reconciling Utility Billing – The City of Denver, Iowa does not prepare a reconciliation of utility billings to collections. We were able to reconcile utility billings to receipts within a satisfactory amount, however the process was unwieldy.

Recommendation – We recommend that the city establish a system for reconciling utility billings to receipts on a monthly basis.

Response – The City is currently in the process of switching to a different software program. The new software is capable of handling a monthly reconciliation.

Conclusion – Response accepted.

## **INSTANCES OF NON-COMPLIANCE**

### **Part III: Findings and Questioned Costs for Federal Awards:**

There were no findings and questioned costs for federal awards.

### **Part IV: Other Findings Related to Statutory Reporting:**

IV-A-12 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2012.

IV-B-12 Certified Budget – City disbursements exceeded amounts budgeted during the year ended June 30, 2012 in the public safety and the culture and recreation programs. Iowa Code 384.18 states that an amendment shall be adopted by May 31 and before amounts expended exceed budgeted amounts to allow time for a protest. The budget was amended, but not adopted until June 4, 2012.

Recommendation – It is recommended that in the future that the City amend its budget before amounts expended exceed amounts budgeted and should be amended by May 31<sup>st</sup> to allow time for a protest in compliance with Iowa Code 384.18.

Response – In the future the City will adopt amendments before amounts expended exceed amounts budgeted and by May 31<sup>st</sup> to comply with Iowa Code 384.18.

Conclusion – Response accepted.

IV-C-12 Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-D-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Joerger, City Electrician, Part-owner Kroeze & Joerger Construction	Repairs & Maintenance	\$220

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the City Electrician does not appear to represent a conflict of interest since the transaction amount was less than \$1,500 for the fiscal year.

IV-F-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-12 Deposits and Investments – We noted that the Ambulance books contained investments not in compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

Recommendation – We recommend that the City divest themselves of these investments and come into compliance with the investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

Response – The City will divest any investment of the Denver Ambulance Service not in compliance.

Conclusion – Response accepted.

IV-I-12 Payment of General Obligation Bonds-Payments on General Obligation Debt were paid from the Debt Service Fund.

IV-J-12 Separately Maintained Records – In the process of the audit we found that certain departments of the City created by Ordinance were not reflected on the City books. The Ambulance and the Park and Rec receipts and disbursements were not on the City books. Fire Department disbursements budgeted by the City were reflected on the City books. The majority of the Fire Department receipts and disbursements were not on the City books. Included in these receipts were payments from the townships for fire protection. These additional disbursements were not approved by the City Council.

Recommendation – We recommend that all receipts and disbursements for these departments be approved by the City Council and recorded on the City books. This could be accomplished by not having any City check books outside of City Hall. In the case of the Fire Department we realize that the Volunteers have formed a 501(c)(3) and therefore their fund raisers do not need to be on the City books. The problem is to separate the funds that are now in their checking account from the City portion and the Volunteer portion. One recommendation would be to transfer all funds into the City and then have the City write a check to the Volunteers for their portion.

Response – The city will implement this recommendation in the near future.

Conclusion – Response accepted.

IV-K-12 Closed Session – We noted that the Council went into Closed Session during the year and the specific exemption was not identified per Iowa Code 21.5.

Recommendation – In the future when the City Council goes into Closed Session it should state in the minutes the reason for going into Closed Session and cite the Iowa Code section.

Response – In the future the minutes will reflect the reason for going into Closed Session and cite the Iowa Cod.

Conclusion – Response accepted.

IV-L-12 TIF Receipts – The City receipts TIF revenues directly into the Debt Service Fund. Iowa Code 403.19 states that TIF collections are to be recorded in a separate Special Revenue Fund.

Recommendation – In the future the City should record all TIF collections into a Special Revenue Fund and then transfer to the Debt Service Fund.

Response – In the future the City will receipt TIF collections into a Special Revenue Fund and then transfer monies to the Debt Service Fund.

Conclusion – Response accepted.

City of Denver  
Staff

This audit was performed by:

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